



America's Mutual Holding Companies

December 20, 2011

C. Tate Wilson
Attorney
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N W
Washington, DC 20551

Re: Cost Analysis of Member Voting Requirements of Regulation MM

Dear Mr. Wilson:

This is a follow up to our conversation regarding the potential costs to mutual holding companies of compliance with the member voting requirements set forth in Regulation MM. Regulation MM requires all mutual holding companies to solicit and obtain the consent of a majority of the association's members prior to the mutual holding company waiving any dividends paid by its stock subsidiary *in cases where a majority of the Board of Directors holds an equity interest in the company* America's Mutual Holding Companies ("AMHC") has previously provided comments to the Board on Regulation MM. AMHC is an association of mutual holding companies with minority public stockholders, located throughout the United States. AMHC was formed for the purpose of advocating for treatment by Federal and state regulators, legislators and policy makers that recognizes the inherent characteristics unique to mutual holding companies with public shareholders. Currently, there are over 50 MHCs with over \$50 billion in assets located in 20 states from Maine to Washington State and New Mexico to Georgia.

The attached cost analysis was prepared by an independent proxy solicitation firm, Phoenix Advisory Partners, a division of the American Stock Transfer & Trust Company, LLC. The analysis assumes four representative institutions based on the following levels of total deposits: \$250 million, \$500 million, \$1.0 billion and \$2.0 billion. Based on a representative sample of mutual holding companies in the range of each of these four levels, Phoenix Advisory assumed total deposit accounts of 20,000, 32,000, 55,000 and 70,000, respectively. Phoenix then calculated the cost of soliciting these accountholders to obtain their approval of the dividend waiver. The costs include two separate mailings, a file conversion needed to determine the number of votes for each member, targeted phone calls to select accountholders, tabulation of the votes and the cost and fees of the solicitor. Cost estimates were based on two scenarios: those institutions where members have one vote per member typical in state chartered mutual institutions and those institutions where members have one vote per \$100 on deposit up to 1,000 votes typical for federally chartered mutual institutions.

Please note that the costs calculated by Phoenix Advisory include only those costs directly related to the solicitation performed by the proxy solicitor. Additional costs would include attorney's fees for the preparation of the proxy statement and filing of an application for waiver. These fees are estimated can range from \$25,000 to \$250,000 or more depending on the size of the institution and the complexity of the issues involved. Auditor's fees would also be incurred in the event the proxy statement were to include financial tables or audited financial statements, with auditor's opinion, and pro forma financial information. We cannot without more input on the contents of the proxy statement make any reliable estimates of what these costs would be.

The analysis provided with this letter does not include the time and expense of the institution's officers and employees in explaining to the customers why the bank is requesting their consent. Most mutual holding companies are true community institutions serving working class neighborhoods. The only correspondence these customers receive from the bank are their deposit and loan statements. Sending a large package filled with legal disclosures and asking for customers' consent to waive dividends will only confuse many of AMHC's depositors and borrowers. This process is made more difficult in that MHCs will have to explain that they are seeking the approval of customers on a matter that has no impact whatsoever to the deposit or borrowing relationship they have with the bank. Their deposits are still fully insured to the maximum amount by the FDIC and their loans still must be repaid. The waived dividend will create no benefit or disadvantage to the customer. A natural question then will be "Why am I being asked to approve this if it has no impact on me?" "Is the bank in some sort of financial trouble?" "Why can't I have the dividend?" Customer confusion will only be heightened during this prolonged period of economic recession and bank skepticism, none of which was brought on by MHCs. As anecdotal evidence, one of our members stated that it received over 8,000 customer phone calls at the time it reorganized into a mutual holding company form. One can only assume that the number of customer inquiries that will be generated by asking customers to approve a proposal they have no expectation that they would receive will indeed be quite substantial.

AMHC appreciates this opportunity to submit this information to the Board. We look forward to continuing this dialogue with the Staff on this important issue.

Very truly yours,

A handwritten signature in black ink, appearing to read "Douglas P. Faucette", with a large, stylized flourish at the beginning.

Douglas P. Faucette
America's Mutual Holding Companies
701 8th St. N.W.
Suite 700
Washington .D.C. 20001



SAMPLE BANKING INSTITUTIONS

WITH PROXY SOLICITATION COST ANALYSIS

Sample 1**BANKING INSTITUTION****\$250,000,000 DEPOSITS****20,000 ACCOUNTS****1 VOTE PER MEMBER****MAJORITY OF OUTSTANDING****2 MAILINGS, 1 ROUNDS OF CALLS**

First Mailing	20,000	\$0.75	\$15,000.00
Second Mailing	20,000	\$0.50	\$10,000.00
File Conversion	20,000	\$0.25	\$5,000.00
Phone Calls (TARGET GROUP)	10,000	\$3.40	\$34,000.00
Tabulation	10,000	\$0.25	\$2,500.00
Solicitor Fee			\$5,000.00
TOTAL*			\$71,500.00

MAJORITY OF OUTSTANDING**2 MAILINGS, 1 ROUNDS OF CALLS**

First Mailing	4,982	\$0.75	\$3,736.50
Second Mailing	4,982	\$0.50	\$2,491.00
File Conversion	4,982	\$0.25	\$1,245.50
Phone Calls (TARGET GROUP)	5,000	\$3.40	\$17,000.00
Tabulation	5,000	\$0.25	\$1,250.00
Solicitor Fee			\$5,000.00
TOTAL*			\$30,723.00

***ADDITIONAL FEES: LEGAL & ACCOUNTING**

Sample 2

BANKING INSTITUTION

\$500,000,000 DEPOSITS

32,000 ACCOUNTS

1 VOTE PER MEMBER

MAJORITY OF OUTSTANDING

2 MAILINGS, 1 ROUNDS OF CALLS

First Mailing	32,000	\$	0.75	\$24,000.00
Second Mailing	32,000	\$	0.50	\$16,000.00
File Conversion	32,000	\$	0.25	\$8,000.00
Phone Calls (TARGET GROUP)	16,000	\$	3.40	\$54,400.00
Tabulation	16,000	\$	0.25	\$4,000.00
Solicitor Fee				\$5,000.00
TOTAL*				\$111,400.00

MAJORITY OF OUTSTANDING

2 MAILINGS, 1 ROUNDS OF CALLS

First Mailing	32,000	\$0.75	\$24,000.00
Second Mailing	32,000	\$0.50	\$16,000.00
File Conversion	32,000	\$0.25	\$8,000.00
Phone Calls (TARGET GROUP)	8,000	\$3.40	\$27,200.00
Tabulation	16,000	\$0.25	\$4,000.00
Solicitor Fee			\$5,000.00
TOTAL*			\$84,200.00

*ADDITIONAL FEES: LEGAL & ACCOUNTING



Sample 3**BANKING INSTITUTION****\$1,000,000,000 DEPOSITS****55,000 ACCOUNTS****1 VOTE PER MEMBER****MAJORITY OF OUTSTANDING****2 MAILINGS, 1 ROUNDS OF CALLS**

First Mailing	55,000	\$0.75	\$41,250.00
Second Mailing	55,000	\$0.50	\$27,500.00
File Conversion	55,000	\$0.25	\$13,750.00
Phone Calls (TARGET GROUP)	22,500	\$3.40	\$76,500.00
Tabulation	22,500	\$0.25	\$5,625.00
Solicitor Fee			\$7,500.00
TOTAL *			\$172,125.00

MAJORITY OF OUTSTANDING**2 MAILINGS, 1 ROUNDS OF CALLS**

First Mailing	55,000	\$0.75	\$41,250.00
Second Mailing	55,000	\$0.50	\$27,500.00
File Conversion	55,000	\$0.25	\$13,750.00
Phone Calls (TARGET GROUP)	13,800	\$3.40	\$46,920.00
Tabulation	13,800	\$0.25	\$3,450.00
Solicitor Fee			\$7,500.00
TOTAL *			\$140,370.00

***ADDITIONAL FEES: LEGAL & ACCOUNTING**

Sample 4**BANKING INSTITUTION****\$2,000,000,000 DEPOSITS****70,000 ACCOUNTS****1 VOTE PER MEMBER****MAJORITY OF OUTSTANDING****2 MAILINGS, 1 ROUNDS OF CALLS**

First Mailing	70,000	\$0.75	\$52,500.00
Second Mailing	70,000	\$0.25	\$17,500.00
File Conversion	70,000	\$0.25	\$17,500.00
Phone Calls (TARGET GROUP)	35,000	\$3.40	\$119,000.00
Tabulation	35,000	\$0.25	\$8,750.00
Solicitor Fee			\$7,500.00
TOTAL*			\$222,750.00

MAJORITY OF OUTSTANDING**2 MAILINGS, 1 ROUNDS OF CALLS**

First Mailing	70,000	\$0.75	\$52,500.00
Second Mailing	70,000	\$0.50	\$35,000.00
File Conversion	70,000	\$0.25	\$17,500.00
Phone Calls (TARGET GROUP)	17,500	\$3.40	\$59,500.00
Tabulation	17,500	\$0.25	\$4,375.00
Solicitor Fee			\$7,500.00
TOTAL*			\$176,375.00

***ADDITIONAL FEES: LEGAL & ACCOUNTING**